



MEDICAID RATES & REFORM

Jared C. Kosin

Executive Director, Office Of Rate Review

May 28, 2014

What Are Rates?

DHSS Service Philosophy:

- Deliver the ***RIGHT CARE***
- To the ***RIGHT PERSON***
- At the ***RIGHT TIME***
- For the ***RIGHT PRICE***

What Are Rates?

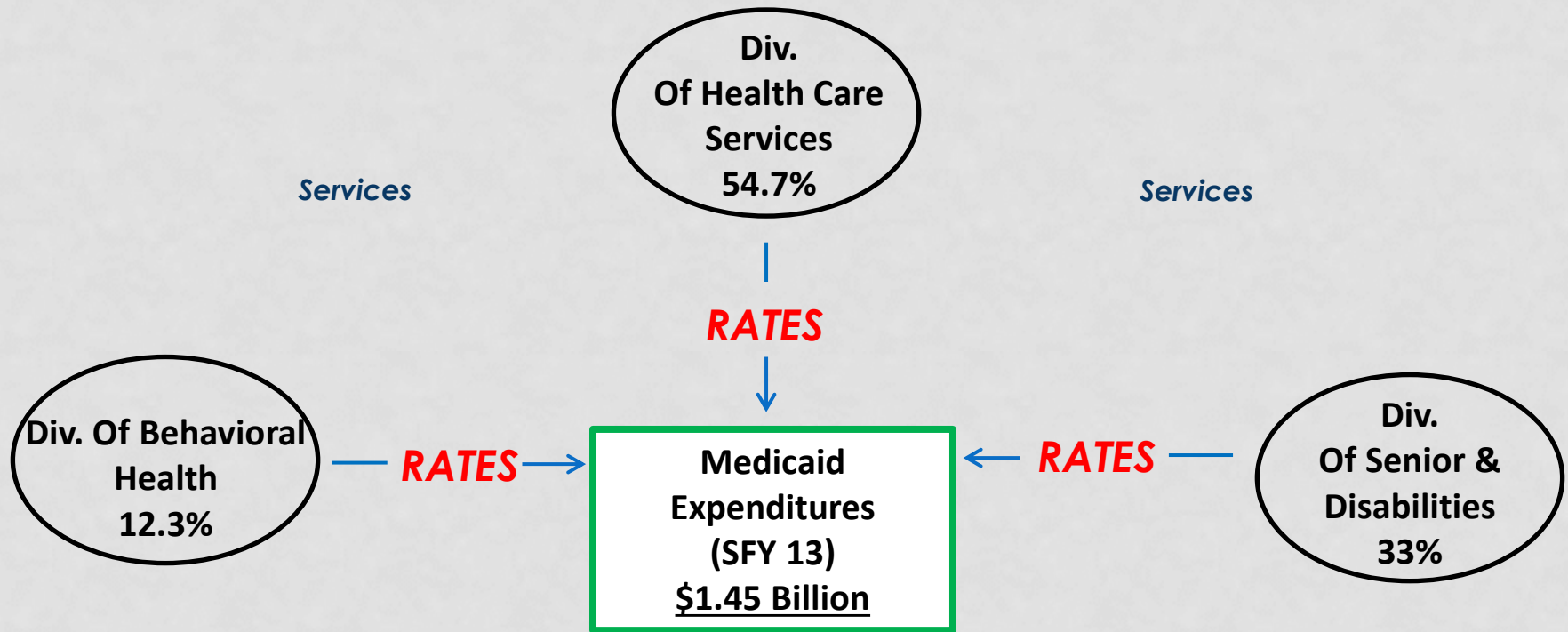
- **Medicaid is Contractual Agreement between State and Federal Gov**
 - State Plan

- **Roles in Terms of Rates**
 - State: Rate setting (methodology) and program (administration)
 - Fed: Final approval (requirements) and compliance (assurances)

- **Federal Basis & Notable Requirements**
 - Efficiency, Economy, Quality, and Sufficiency [§ 1902a(30)(A)]
 - ✓ Policy and Method for Rates [§447.201(b)]
 - ✓ Audits [§447.202]
 - ✓ Upper Payment Limit [§447.272(b)]
 - ✓ Customary Charges [§447.271]

Rates refer to the amount of money that Medicaid will reimburse for a unit of service.

Medicaid Expenditures



Medicaid Expenditures = Rate X Units of Service

Services & Rate Methodologies

➤ 4 Categories of Services

- Professional Services
- Facility Services
- Pharmacy Services
- Other Services (i.e. HCB Waiver Services, Behavioral Health Services)

➤ Approaches to Rate Setting (Methodologies)

- Fee Schedule Adjusting
- Cost Reporting
- Cost Surveying

Rates flow from services. Approximately 145,000 Alaskans, or about 20% of our population, receive services through Medicaid.

Rate Setting

Health Care Services

- Hospital Facility—Cost Report Rate Methodology
- Professional Services—Fee Schedule Rate Methodology

Senior & Disabilities Services

- Nursing Home Facility—Cost Report Rate Methodology
- HCB Waiver & PCA Services—Cost Survey Rate Methodology

Behavioral Health Services

- Residential Psychiatric Treatment Center Facility—Cost Survey Rate Methodology
- Rehabilitative & Clinical Services—Cost Survey Rate Methodology

A change to services may result in a change to rates, but a change to rates will result in a change to services.

Rate Reform – Health Care Services

➤ **Hospital Facility Reimbursement**

- Rate Methodology is Medicare Cost Reporting
 - ✓ Individually tailored to facilities
 - ✓ Complicated rebasing, high litigation
- Reform Opportunities
 - ✓ Diagnosis Related Group (DRG) Rate Methodology
 - ✓ DRG Systems are used in most states, Medicare norm

➤ **Professional Services Fee-for-Service Reimbursement**

- Rate Methodology is RBRVS Fee Schedule with State Adjustment
 - ✓ Adjustment accounts for Alaska's uniqueness
 - ✓ Fee-for-Service model
- Reform Opportunities
 - ✓ Managed Care & Capitated Rates
 - ✓ Managed Care exists in 47 states

Rate Reform – Senior & Disabilities Services

➤ **Nursing Home Facility Reimbursement**

- Rate Methodology is Medicare Cost Reporting
 - ✓ Individually tailored to facilities
 - ✓ Complicated rebasing, high litigation
- Reform Opportunities
 - ✓ Case Mix Payment Rate Methodology
 - ✓ Case Mix Systems are used in most states, Medicare norm

➤ **Home & Community-Based Waiver & PCA Services Reimbursement**

- Rate Methodology is Systematic Cost Surveying
 - ✓ Uniform system based on actual costs
 - ✓ Complex (high volume of providers, varying financial sophistication)
- Reform Opportunities
 - ✓ Refined, targeted cost survey approach
 - ✓ Acuity
 - ✓ Strategic planning for long term care services

Rate Reform – Behavioral Health Services

➤ **Residential Psychiatric Treatment Center Facility Reimbursement**

- Rate Methodology is Sporadic Cost Surveying
 - ✓ Administratively simple (low volume of providers), avg rate
 - ✓ Rate changes are unpredictable and lag
- Reform Opportunities
 - ✓ Implement a systematic cost survey process
 - ✓ Base cost survey on Medicare Cost Report used by other facilities

➤ **Behavioral Health Rehabilitative & Clinical Services Reimbursement**

- Rate Methodology is Sporadic Cost Surveying
 - ✓ Complex (high volume of providers, varying financial sophistication)
 - ✓ Rate changes are unpredictable and lag
- Reform Opportunities
 - ✓ Learn from rate-setting process for HCB Waiver & PCA Services
 - ✓ Acuity
 - ✓ Service bundling, managed care and capitated rates

Rate Reform Challenges

➤ Rate Setting is Complex

- Single rate system for multiple services
- Provider sophistication (“mom and pop” → corporate entities)
- Health care costs are high and continue to climb

➤ Alaska is Unique

- Accounting for “rural” populations
- Fee-for-Service state
- Budget climate is different

➤ Multiple Layers

- Proposal—service impact, provider impact, budget impact
- Stakeholders—education and support
- Bureaucracies—state and federal processes

Navigating among competing proposals, stakeholders, legal processes, and bureaucracies takes time and effort.

Key Takeaways & Recommendations

➤ DRGs and Case Mix Reimbursement Systems

- Full impact unknown, but likely inevitable
- Rec: Renewed attention (at a minimum)

➤ Managed Care and Capitated Rates

- Increased efficiency, but not a perfect fit and major culture shift
- Rec: Experiment (i.e. Patient-Centered Medical Homes)

➤ Systematic Cost Surveying with Acuity

- Rational and predictable approach, but implementation is difficult
- Rec: Implement cost survey system while developing acuity

➤ Strategic Planning (i.e. Long Term Care Services)

- Understand / consider dynamic between availability of services and increasing expenditures in long-term planning
- Rec: Plan system today to meet the challenges of tomorrow

Conclusion

DHSS Service Philosophy:

- Deliver the ***RIGHT CARE***
- To the ***RIGHT PERSON***
- At the ***RIGHT TIME***
- For the ***RIGHT PRICE***



REFORM



QUESTIONS?

Jared C. Kosin
Executive Director
Office of Rate Review